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RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 1789
RUEHNH/AMCONSUL NAHA IMMEDIATE 4202
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 5366
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C O N F I D E N T I A L SECTION 01 OF 05 TOKYO 002947

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SUBJECT: LDP-KOMEITO COALITION LIKELY TO LOSE UPPER HOUSE
MAJORITY

Classified By: AMBASSADOR J. THOMAS SCHIEFFER, REASONS 1.4(B),(D).

¶1. (C) Summary: The outlook for Japan's ruling LDP-Komeito coalition in upcoming House of Councillors elections is grim, as the support rate for Prime Minister Abe and his ruling LDP continues to fall over the botched handling of pension accounts. Abe's premiership, and the ruling coalition's majority in the Upper House, hangs in the balance. Voters are unlikely to be impressed by last-minute legislative achievements when their pensions are on the line. Not even the most optimistic LDP members contacted by Embassy Tokyo are predicting that the ruling parties will be able to maintain the coalition majority in the Upper House. Some Embassy contacts predict that the small People's New Party will play a deciding role in which party controls the Upper House after July 29. Despite the ruling coalition's vulnerability, however, the main opposition DPJ remains weak and has not ignited any enthusiasm among the voters. (Note: For additional reporting and resources on the election, please see the Elections Page on the Embassy Tokyo classified intranet website: <http://www.state.sgov.gov/p/eap/tokyo/..>)
End Summary.

Abe's Future, Upper House Majority on the Line

¶2. (C) Japan's Upper House elections, rescheduled to July 29 when the Diet session was extended to July 12 last week, will decide whether the ruling Liberal Democratic Party (LDP)-Komeito coalition retains a majority in the House of Councillors. Control of the Upper House is not imperative for the LDP to maintain its nearly continuous half-century lock on power. With a greater than two-thirds majority in the more powerful Lower House, the ruling parties can overrule any attempts to vote down legislation by the Upper House. While the Upper House cannot stop Lower House action approved by a two-third's majority, it can slow deliberations and significantly delay passage of bills through the Diet. Losing the majority in the Upper House would give the opposition parties increased power and prestige, however, not

to mention leverage. The main opposition Democratic Party of Japan (DPJ) could also take over the presidency of the Upper House, which goes to the single party that holds the most seats.

¶3. (C) The future of Prime Minister Shinzo Abe hangs in the balance. Abe's cabinet support rate, already at all time lows in the high 20s and low 30s, continues to drop, according to recent polls. Embassy LDP contacts are in agreement that Abe will stay in power if the party wins enough seats to cobble together a coalition majority in the Upper House, although most predict he will have to reshuffle his cabinet. Senior LDP members have already begun sketching out various post-election leadership scenarios for the party.

The number of coalition seats below which our contacts Abe would have to resign varies. At one end, a senior LDP Diet member recently announced to the press that Abe will not step down, no matter how many seats the LDP loses. However, the press and most observers have drawn the line at an LDP loss of 20 seats. A similar result triggered the resignation of former Prime Minister Hashimoto in 1998.

¶4. (C) More troubling for the LDP would be the possible departure of Komeito, which has been a junior partner in the coalition since 1999 and has provided the margin of victory for the LDP in countless national and local elections.

Komeito's Soka Gakkai religious base has proven itself willing to swallow significant policy differences in order to remain part of the ruling coalition. Defeat in the elections could lead Komeito to distance itself from the LDP, or demand more say over policy. It is unlikely, however, that Komeito would seek immediately to go into coalition with the DPJ and other opposition parties. (Note: For additional reporting

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and resources on the election, please see the Elections Page on the Embassy Tokyo classified intranet website:
<http://www.state.sgov/p/eap/tokyo/.>)

Election Basics

¶5. (C) Upper House Diet members serve six-year terms. Elections are held every three years to elect one-half of the 242 seats. When voters go to the polls on Election Day, they will receive two ballots, one for the electoral district and one for the proportional list. Of the total of 121 seats up for election this year, 73 seats will be filled in 47 single- and multiple-seat electoral districts, corresponding to Japan's 47 prefectures. Another 48 seats will be filled by the proportional list system. The electoral district voting is straightforward. Voters select the name of one candidate, regardless of how many seats are to be elected from that particular district. Key to the electoral districts races are the 29 single-seat races, many in the traditional rural heartland of the LDP. Another 44 seats will be filled in 18 multiple-seat districts. Political parties that run more than one candidate in multiple-seat districts risk splitting the vote from their supporters and losing a seat.

¶6. (C) The LDP plans to run one candidate in every district but Gifu, where they are supporting ex-senior LDP leader and postal rebel Takao Fujii, and in the multiple-seat districts of Tokyo and Chiba, where they will run two. The DPJ will run candidates in every district but Oita, where they will support the Social Democratic Party candidate, with two each in Saitama, Chiba, Kanagawa, and Aichi. The LDP and Komeito are both fielding candidates in several of the multiple-seat districts, possibly splitting the coalition vote. The DPJ is running two candidates in those districts, hoping to capitalize on that opportunity. Some Embassy contacts question whether the LDP will be able to honor its usual "arrangement" to support Komeito candidates, given its own weakened position.

¶7. (C) Voting for the proportional list seats is complicated. Since 2001, voters have been given the option of either casting their vote for a political party, or for an individual candidate on a party list. A vote for an individual candidate doubles as a vote for the party. The number of seats allotted to each party is determined by the total number of votes it receives. That includes both votes for the party and votes for individual party members. The actual winners of those seats are then determined by the number of votes they received as individual candidates. A large percentage of LDP proportional list candidates are candidates of special interest groups such as the medical association and industry groups which can deliver bloc votes. Political parties also seek to enlist "celebrity" candidates to attract more votes, since a vote for a candidate also counts as a vote for the party. Embassy contacts note that the celebrity candidates are not particularly strong this year, and are expected to have little impact.

Doing the Math

¶8. (C) Even before Prime Minister Abe took office in September 2006, most analysts were predicting that the LDP would lose seats in this election. No one expected the coalition to replicate the 77 seats captured in 2001, at the height of the "Koizumi Boom," when the Prime Minister's support level was above 80 percent. Most doubt the LDP/Komeito can even do as well as they did in 2004, when they captured only 57 seats. In 2001, the LDP won 64 seats, twice as many as the DPJ. In 2004, the DPJ took 52 seats, compared to only 46 for the LDP. The ruling coalition

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currently holds 134 seats in the Upper House, 12 more than they need for a majority. To maintain just a bare 122-seat majority in this election, the coalition will need to win 64 seats, a difficult task in the current political environment.

Until a month ago, most Embassy contacts were confidently predicting that Komeito would retain all 13 seats that it had won in 2001, five in the electoral districts and 8 from the proportional list. Recently, however, those numbers have been refined downward by one or two seats, meaning the LDP would need to win six or seven more seats than they won in a much more favorable political climate in 2004 under Koizumi. That is highly unlikely, given public dissatisfaction over pensions and the fact that the finger of responsibility for the current situation points squarely at the LDP.

¶9. (C) Predictions from Embassy Tokyo contacts in the political parties, academia, and the media vary, but none show the LDP winning enough seats to gain a majority outright. Even optimistic LDP members believe the best they can hope for is to get close enough to cobble together a coalition with Komeito and the tiny People's New Party (PNP), which is projected to win 3 seats. The role of PNP leader Tamisuke Watanuki, another postal rebel and one-time LDP senior leader, as kingmaker is being raised in the press and among Embassy contacts. One senior LDP member told the Embassy recently that it looks as if the LDP will need to entice the PNP into the coalition -- perhaps by offering a cabinet post -- in order to retain a majority in the Upper House. Unlike the postal rebels readmitted to the LDP by Abe in late 2006 and early 2007, Watanuki has vowed continued opposition to postal reform. There are rumors that conservative elements of the DPJ might split off and join the LDP in coalition, but at this point, such a scenario seems unlikely.

¶10. (C) The worst-case scenario for the LDP is to win in only nine single-seat and 18 multiple-seat districts, and take 14 proportional seats, according to a senior LDP election bureau staffer. That would give the coalition somewhere between 52 and 54 seats, assuming Komeito takes at least 11. This would be well short of the 64 needed to

maintain a majority. In 14 of the 29 single-seat districts, the LDP and DPJ candidates are separated by no more than two to three percentage points, according to unpublished LDP polls. This is close enough that even a slight up-tick in the unaffiliated vote could be significant. Before news of lost pension records broke, the LDP elections bureau analyst was predicting the LDP might take as many as 20 single-district seats. That number was modified downward to 16 on May 17, and is now nine. The more pessimistic prediction is based entirely on Abe's "mishandling" of the pension issue. The elections will not be a vote for the LDP or for the DPJ, more and more Embassy contacts are saying, but a vote against the LDP. A recent Asahi poll showed 92 percent of the public "angry" over the pension issue. This anger is being directed at the incumbents, and will produce a protest "throw-the rascals-out" vote of some dimension.

¶11. (C) Prime Minister Abe's support rate has tumbled to record lows over the pension issue, and continues to fall in every demographic category. His non-support rate now exceeds 50 percent in every poll. An internal LDP poll shared with the Embassy shows only 60 percent of LDP supporters are currently planning to vote for the party, with 15 percent certain they will vote for the DPJ because of the pension issue. Under normal circumstances, moving the election back one week to the beginning of the traditional summer holiday period could be counted on to keep turnout below 55 percent, as low turnouts usually favor the ruling parties, with their large numbers of bloc voters. Media polls show the opposite trend this year, however, as voters angry over the pension issue indicate their plans to register their discontent, in person or by filing an absentee ballot. Support numbers for the LDP have not dropped dramatically, but support for the

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DPJ now exceeds support for the LDP in most polls.

Fighting it out in the Diet

¶12. (C) The ruling parties forced through an extension of the Diet session on June 22, moving the closing date from June 23 to June 29. Prime Minister Abe justified the move by stressing the need to pass revisions to the National Public Service Law, limiting post-retirement "Amakudari" employment of government officials, and Public Funds Control Law. By extending the Diet session and delaying the Upper House vote, Abe clearly hopes to put some additional distance between the pension flap and the elections. He will also undoubtedly cite eventual passage of "reform" legislation to tout his reformist credentials and attempt to regain the trust of a public angered by mismanaged pension accounts. If the conventional wisdom is true that the Upper House campaign is not about candidates, but about the party's image, then this may be the only chance for the LDP to restore public confidence on the pension issue.

¶13. (C) Abe and several members of his administration have announced that they will relinquish their summer bonuses to take responsibility for the pension scandal. The move has been characterized by Abe critics, such as former LDP Secretary General Koichi Kato, as mere showmanship. Komeito

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is also working extremely hard to clear up misunderstandings over the pension issue among its Women's Bureau members. The Women's Bureau is the primary get-out-the-vote machine for Soka Gakkai, and the ruling parties cannot win without their support.

¶14. (C) Many Embassy contacts view the Diet extension as a mistake. They argue that the public does not see the importance of the anti-Amakudari bill, and will almost certainly give little credit for its passage. Abe's decision to extend the session is seen as a bit of a "Hail Mary" pass,

to try to pull victory out of what looks like almost certain defeat.

But Can the DPJ Win?

¶15. (C) Despite the LDP's problems, the DPJ remains a weak and disorganized opponent. Even those who predict that the LDP will lose the upcoming election have a difficult time explaining how the DPJ will win the additional 15-19 seats it will need to form a coalition in the Upper House. Creating a coalition with the other opposition parties, such as the Social Democratic Party (SDP) and Japan Communist Party (JCP), could present insurmountable challenges.

¶16. (C) DPJ leader Ichiro Ozawa has devoted the better part of eight months to the Upper House elections. Ozawa focused his attention on the 29 single-seat districts, which all agree are the key contests in deciding whether the LDP-Komeito coalition majority will survive. He has delegated most of the responsibility for party and Diet management to a small circle of lieutenants, and has debated Abe face-to-face only twice in this entire Diet session. Ozawa is said by Embassy DPJ contacts to run a very closed shop, to the extent that even party President Naoto Kan and Secretary General Yukio Hatoyama often feel completely cut

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out of the decision-making process and information flow. Ozawa has hand-picked candidates for the election, but many are young and untested. They also lack a clear message for the voters to differentiate them from the ruling LDP. One DPJ contact noted recently that many of his friends in the party were feeling confident that the pension scandal would throw votes their way. The problem, he said, was that they were doing nothing to convince voters that the DPJ could

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solve the problem, or to entice unaffiliated voters to come out to the polls in greater numbers in individual districts.
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